

EXECUTIVE SUMMARY

DCMC-OG

MEMORANDUM FOR COMMANDER DEFENSE CONTRACT MANAGEMENT COMMAND

FROM: DCMC-OG
Prepared by: Lt Col Karen E. Osborn/DCMC-OG/767-3442/January
25,
1999

SUBJECT: Activity Report for Management Reform Memoranda (MRM)
5 and 10

PURPOSE: To obtain the Commander's signature on the attached memorandum
forwarding the subject report to USD (A&T), et al

Upon your approval of reports for MRMs 5 and 10 for the period ending December 31, 1998,
DCMC-OG will make final dissemination and distribute electronically to DoD Process Action
Teams via e-mail and the DCMC Home Page.

RECOMMENDATION: Commander sign the memorandum at TAB A.

Approved for Submission to the Commander: JILL E. PETTIBONE _____

EXECUTIVE SUMMARY

DCMC-OG

MEMORANDUM FOR D/DD

FROM: DCMC-O

Prepared by: Lt Col Karen E. Osborn/DCMC-OG/767-3442/January 25, 1999

SUBJECT: Activity Reports for Management Reform Memoranda (MRM) 5 and 10

DISCUSSION:

Enclosed is quarterly report for MRMs 5 and 10 for the period ending December 31, 1998. It will be electronically distributed after your review.

RECOMMENDATION: D/DD review the memorandum at TAB A.

REVIEWED:

/s/ 2/9/99 Director

Comments:

Approved By: Major General Timothy P. Malishenko, USAF

DCMC-OG

Feb 4, 1999

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND
TECHNOLOGY)
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)
DIRECTOR, DEFENSE PROCUREMENT
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION
REFORM)
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)
ASSISTANT SECRETARY OF THE ARMY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION
THROUGH: DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Activity Reports for Management Reform Memoranda (MRM) 5 and 10

Forwarded for your review are the quarterly activity reports for MRMs 5 and 10. The reports are intended to keep you apprised of these high-visibility programs.

Should you have any questions or concerns regarding information contained in the attached reports, please contact Ms. Janice Hawk, (703) 767-3433 for MRM #5, and Lt Col Karen E. Osborn, (703) 767-3442 for MRM #10.

/s/

TIMOTHY P. MALISHENKO
Major General, USAF
Commander

Attachments

cc:

See Distribution

Distribution list:

OASA (RD&A)

ASN (RD&A) ARO

ASN (RD&A) ABM

PDASAF (Acq & Mgmt)

Joint Staff ATTN: J4/SMPED

DLSC

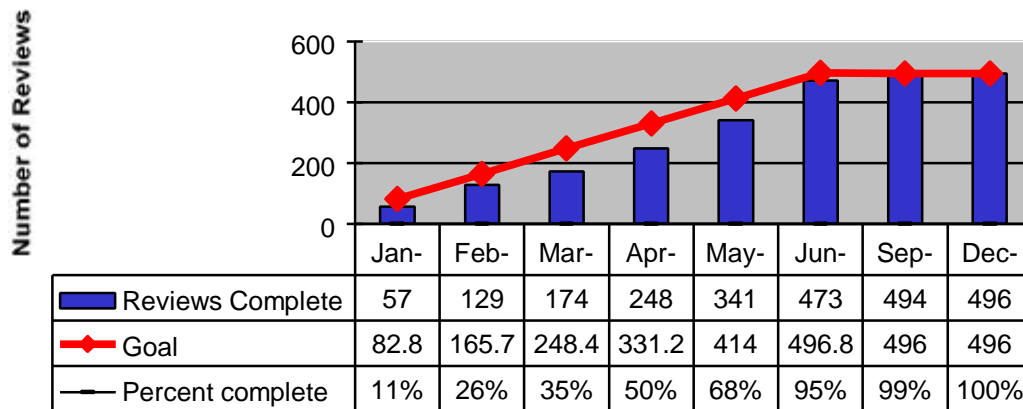
Management Reform Memorandum #5 (MRM #5)
Disposal of Excess Government-Owned Property
Monthly Report
Period Ending December 31, 1998

Purpose

- Dr. Hamre instituted MRM #5 in May 1997 as an effort to dispose of excess Government property in possession of defense contractors. The goal is to dispose of \$7 billion of property by January 1, 2000. MRM #5 is a joint effort of the Military Services and Defense Agencies, with Defense Contract Management Command as the lead agent.

Status

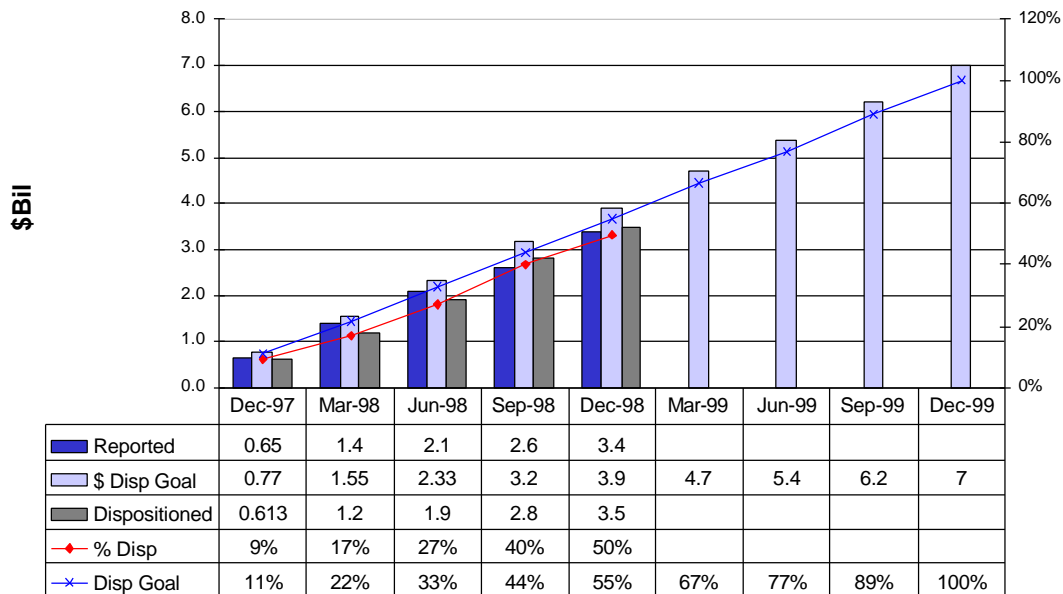
- **Goal #1:** By June 30, 1998, review 100 percent of the contractors' systems with contracts having more than \$3 million of government property:
 - 100% of required reviews are scheduled (496 total reviews).
 - 100% of reviews completed as of September 30 (496 reviews complete).
 - Army - scheduled - 76, completed - 76 (100%)
 - Navy - scheduled - 47, completed - 47 (100%)
 - Air Force - scheduled - 56, completed - 56 (100%)
 - DLA - scheduled - 317, completed - 317 (100%)



- **Goal #2:** Dispose of \$7 billion of excess property by end of December 31, 1999.
 - \$3.5 billion dispositioned as of December 31, 1998 (50% of goal).
 - Reporting of excess is on an upward trend as focus shifts from completed utilization reviews to the disposal process.
 - \$2.275 billion reported excess in FY98 vs \$1.821 billion for FY97. This is a 40% increase in new receipts.
 - Acquisition value of property currently being processed (\$2 billion) is at the highest level in DCMC history.

- If we continue to outpace FY97 data by over 25% and the proceeding statistics remain high, we believe we are on track to achieve the \$7 billion goal.

MRM #5 Goal-Dispose of \$7 Billion of Excess Property by January 1, 2000

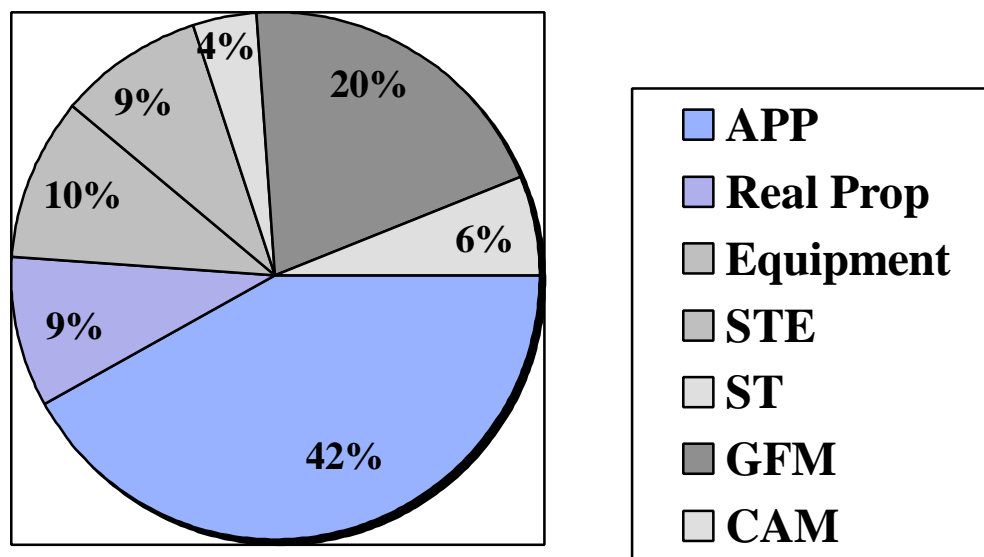


- **Other MRM #5 Actions:**

- In February 1998, the Director of Defense Procurement (DDP) issued three class deviations to FAR Part 45. For excess property reported to GSA, the screening time frames were reduced from 60 to 36 days. This change will be incorporated in the FAR 45 rewrite. For property in poor and salvage condition, along with special test equipment without standard components, GSA screening is no longer required. This deviation is in effect until March 2000. The third deviation waives GSA screening for all property in scrap condition. This change will be incorporated in the FAR 45 rewrite. All of these deviations will accelerate the disposal process.
- In June 1998, DDP issued Departmental Letter 98-014 to lower the level of approval required for the use of auctions, spot bids, and retail sales of surplus contractor inventory from the head of the contract administration activity to the commander of the contract administration office. The plant clearance process will be accelerated when these types of sales are authorized.
- Language has been incorporated into the rewrite of the Defense Demilitarization Manual, DoD 4160.21-M-1, which will reduce the scope of special tooling requiring

demilitarization (currently 100%) to approximately 15%. This change will help accelerate special tooling disposition. The Demilitarization Manual is expected to be published this year.

- DCMC has hosted training workshops for the DoD community, made presentations to defense contractors, prepared an MRM #5 informational video, and held workshops during Acquisition Reform Week #3. MRM #5 goals have also been discussed with industry associations and were presented at the 1998 National Education Seminar for the National Property Management Association in June.
- Government owns \$89 billion of government property in the possession of defense contractors -only \$44 billion (49%), not including APP and Real Property, is within the MRM 5 universe (top half).



APP - Agency Peculiar Property (Tanks, Engines)
STE - Special Test Equipment (Test Stations)
ST - Special Tooling (Jigs, Dies, Fixtures)
GFM - Government Furnished Material (Nuts, Bolts, Etc)
CAM - Contractor Acquired Material (Nuts, Bolts, Etc)
Equipment - (Computers, Lathes, Milling Machines, Etc.)
Real Property - (Land, Buildings)

UPDATE:

- Briefed MRM #5 at the Joint Services Contract Administration Services Executive Meeting on October 7, 1998.
- DoD Demilitarization Program Manager issued Bulletin No. 99-002, which revised the demilitarization requirements for Government owned excess special tooling. This policy will decrease disposal costs and speed up the disposal process.
- Briefed MRM #5 to the Defense Reform Office on October 23, 1998.

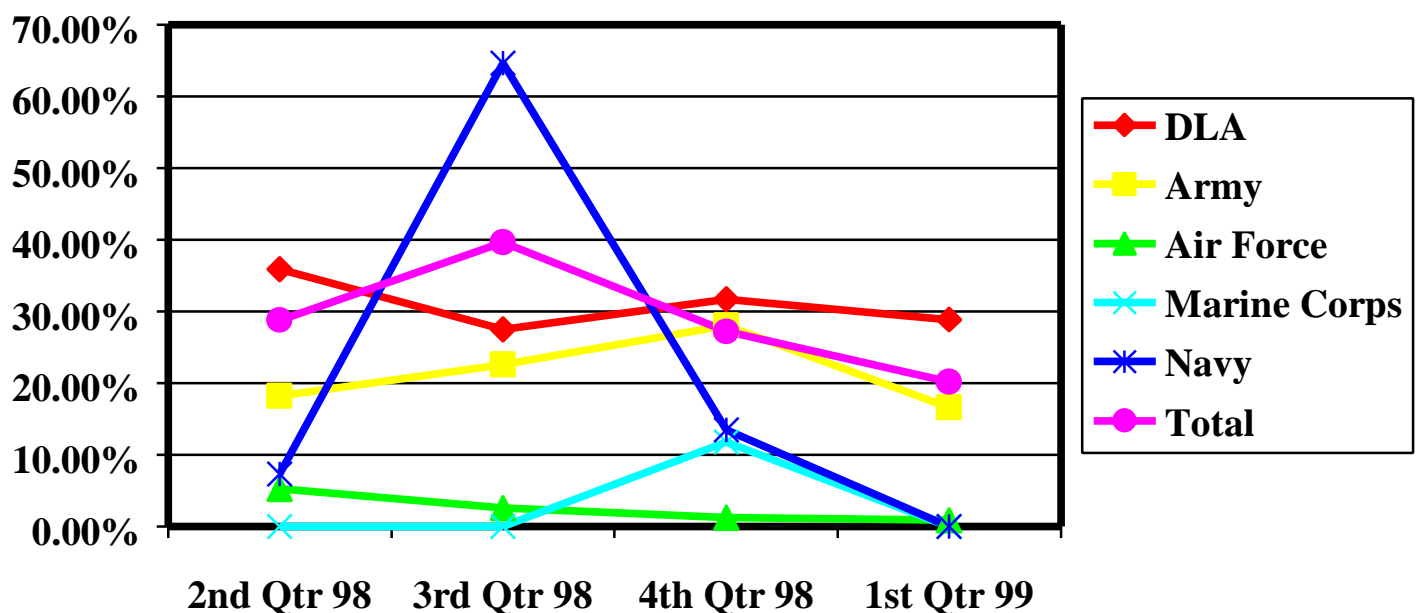
Management Reform Memorandum # 10 (MRM #10)
Redesigning Department of Defense Source Acceptance Policies and Procedures
Monthly Report
Period Ending December 31, 1998

Purpose

- Perform a comprehensive reassessment of current source acceptance policies and procedures. Identify and eliminate policies and procedures that lead to the performance of unnecessary source inspection. Develop alternative methods of assuring quality.

Overall Summary

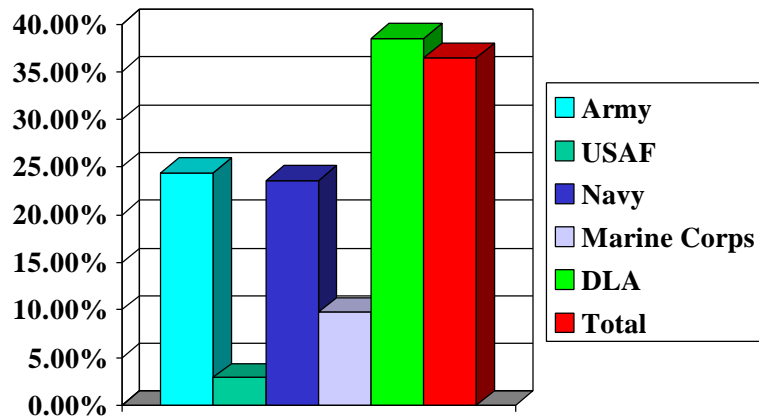
**Item Review Status—% GSI Removed
Through December 31, 1998**



	2nd Qtr FY98	3rd Qtr FY98	4th Qtr FY98	1st Qtr FY99
Army	18.2	22.6	28.1	16.6
USAF	5.3	2.6	1.3	0.9
Navy		7.3	64.6	13.5
Marines	0		0	11.8
DLA	35.9	27.5	31.7	28.9
Total	29.0	39.7	27.2	20.2

NOTE: The Navy's 1st quarter FY99 number reviewed is 0 because it has completed its review

Item Review Status Update Through December 31, 1998



FY 98 2nd, 3rd & 4th QTR, FY 99 1st Qtr Cumulative Numbers

	Army	USAF	Navy	Marines	DLA	TOTAL
# Reviewed	11,846	9,678	24,454	88	367,193	413,259
# Removed GSI	2,636	254	5,615	6	139,100	147,611
% Removed GSI	22.3	2.6	23.0	6.8	37.9	35.7

of all FY98 and FY99 projected buys that are coded for Government Source Inspection.

- Most items are being reviewed “as procured”.
- Not all National Stock Numbers (NSN) are active--may never be reviewed.
- Numbers include mass computer changes of NSN categories.

DLA Totals	FY98 CUM	1st QTR FY99	2nd QTR FY99	Cumulative To Date
Number Unchanged	*212,147	15,946		228,093
Number Changed	*88,144 *44,456	6,500		*139,100
% Changed to Destination	38.5	28.9		37.9
Total Reviewed	*344,747	22,446		*367,193

* Includes mass computer changes

There is a reduction in the DLA numbers of items reviewed for each quarter because as each NSN is reviewed, the same NSN is not reviewed during the next buy. MRM #10 has elevated awareness for evaluation of Place of Inspection within DLA.

Army	FY98 CUM	1st QTR FY99	2nd QTR FY99	Cumulative To Date
Number Unchanged	6,513	2,697		9,210
Number Changed	2,099	537		2,636
% Changed to Destination	24.4	16.6		22.3
Total Reviewed	8,612	3,234		11,846

Air Force	FY98 CUM	1st QTR FY99	2nd QTR FY99	Cumulative To Date
Number Unchanged	7,932	1,492		9,424
Number Changed	240	14		254
% Changed to Destination	2.9	.9		2.6
Total Reviewed	8,172	1,506		9,678

Note: The Air Force's numbers are slightly different than the DCMC-calculated Air Force numbers because some NSNs without GSI were included. The difference in totals is not statistically significant (amounts to one-tenth of one per cent difference).

Marine Corps	FY98 CUM	1st QTR FY99	2nd QTR FY99	Cumulative To Date
Number Unchanged	55	27		82
Number Changed	6	0		6
% Changed to Destination	9.8	0		6.8
Total Reviewed	61	27		88

Navy Totals	FY98 CUM	1st QTR FY99	2nd QTR FY99	Cumulative To Date
Number Unchanged	18,167	672		18,839
Number Changed	5,615	0		5,615
% Changed to Destination	23.6	0		23.0
Total Reviewed	23,782	672		24,454

- **Ahead of schedule. The Navy has reviewed 100% of items that are coded for GSI that are projected for procurement in FY 98 and FY 99.**

UPDATE:

- Briefed MRM #10 to:

- Mr. Oliver, Deputy Under Secretary of Defense (Acquisition and Technology) on October 6, 1998.
- Joint Services Contract Administration Services Executive Meeting on October 7, 1998.
- Aerospace and Defense Quality Management Committee on October 14, 1998.
- Defense Reform Office on October 23, 1998.
- DLA Senior Leaders' Conference on December 10, 1998.
- **Next Step - Supplier Excellence vs Parts Inspection:**
 - Test Ideas - Approved by Deputy -USD (AR)
 - Reinvention Lab Status- Use Closed Loop Approach
 - Pick a Commodity/Industry Sector/Supplier
 - Third Party Quality System Approvals
 - Cross-Sharing of Supplier Performance Data
 - Cross-Sharing of QPLs, QMLs, etc.
 - Contractor Qualification Program - Rely on Periodic Reviews
 - Layout Overall Schedule –February 1999
 - Establish Plans
 - Identify Experiment Sites
 - Establish Start and End Dates
 - Establish Metrics
 - Data Collection, Reporting and Analysis
 - Experiment Conclusions and Recommendations